REPORT OF BELL ATLANTIC ON COMPLIANCE WITH MERGER CONDITIONS

Bell Atlantic respectfully provides this report regarding the conditions imposed in connection with the Bell Atlantic-NYNEX merger proceeding. *See Memorandum Opinion and Order*, 12 FCC Rcd 19985, App. C (1997) ("Merger Order"). As shown below, Bell Atlantic has fully complied, and continues to comply, with each of the conditions.

Bell Atlantic takes its commitments seriously and has devoted enormous resources to ensuring full compliance. To date, Bell Atlantic has spent more than $30 million and has devoted over 50,000 person-hours to meeting the conditions. In fact, the equivalent of eighteen full-time individuals are assigned just to preparing the performance reports (*see* Condition No. 1), while many others are assigned to meeting the other conditions.

<u>Condition No. 1</u>: Bell Atlantic shall prepare and provide Performance Monitoring Reports that include the performance measures set out in Appendix D of the Merger Order.

Bell Atlantic provided the first Performance Monitoring Report to the Commission on November 12, 1997, 90 days after release of the Merger Order, and it has submitted a report for each quarter (with monthly detail) since then – five reports to date. As shown in Attachment A, these reports include measurements of Bell Atlantic's performance in connection with services and facilities provided both to other carriers and to its own retail customers. The format of these performance reports is consistent with requirements established in Appendix D of the Merger Order, as modified based on continuing discussions with the Commission staff to address issues that have arisen since the Order's release. The reports provide measurements during each month on some 22 different categories, covering 100 separate service performance measurements[1] for Bell Atlantic as a whole and for services provided to other carriers. All tolled, these reports contain some 8400 separate measurement entries each quarter.[2]

The measurements that are included in the reports cover all three ways interconnecting carriers may choose to enter the local market – interconnection, resale, and unbundled network elements ("UNEs"). For example, for ordering, provisioning, and maintenance measurements, Bell Atlantic will report separately on five product groups – interconnection trunks, resale POTS services, resale special services, UNE POTS services, and UNE special services.

In addition, where relevant to the particular measure, Bell Atlantic provides measures broken down to separate orders that require a dispatch and those that do not, reflecting the way that Bell Atlantic actually assigns and performs work for its

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[1] Beginning in the fourth quarter 1998, Bell Atlantic is able to report results for all of these measures, including all the measures where the merger conditions recognized that the capability to provide the measure would take some time to develop. The fourth quarter 1998 report will be submitted in mid-February.

[2] This consists of 100 measurements for 14 separate jurisdictions for each of three months in each quarterly report, reporting separately for all of Bell Atlantic and for services provided to interconnecting carriers (100 x 14 x 3 x 2 = 8400).

own retail customers. Therefore, the comprehensive level of detail provided in the reports reflects the actual operation of Bell Atlantic's business.[3]

Bell Atlantic provides copies of the performance reports to each interconnecting local exchange carrier that has requested the information, including carrier-specific reports for each state in which that carrier has had service activity during the reporting period.[4] To maintain the required confidentiality of individual carriers' information, the report provided to any carrier reflects the activity of only that carrier and does not include information that would disclose any other carrier's activity. To that same end, where fewer than three competing carriers are operating in a state, the results are masked in the aggregate reports (by putting blanks instead of numbers) to avoid revealing carrier-specific information.

Bell Atlantic also provides copies of the quarterly reports for each state to the respective state commission. In addition, a number of states have undertaken proceedings to establish state-specific performance reports that Bell Atlantic will be required to produce. In some instances, these state-ordered reports differ from the merger reports. As a result, Bell Atlantic is currently providing reports to state commissions and carriers in the form and in the intervals that those states require in addition to the reports

[3] Bell Atlantic also reports retail performance for POTS, special services and interexchange carrier trunks, separately measuring and reporting activity that requires a dispatch and activity which does not, consistent with the way comparable measures are reported for interconnecting carriers.

[4] Bell Atlantic maintains and will continue to maintain the reports and underlying support data for the performance numbers relating to services provided to interconnecting carriers, as specified in the merger conditions.

provided under the merger conditions. These reports are also provided to requesting carriers that have activity in the state.[5]

Finally, Bell Atlantic has, as required, developed a detailed narrative description of the processes it employs to respond to calls from customers of carriers purchasing interconnection and from its own retail customers. That report is provided to any carrier requesting it and is available publicly on Bell Atlantic's Website. In addition, while not required by the merger conditions, Bell Atlantic also maintains on its Website detailed manuals for use by competing carriers.[6]

Condition No. 2: Bell Atlantic shall undertake commercially reasonable efforts (1) to implement industry standard interfaces for use by carriers purchasing interconnection to obtain access to operations support systems within 150 days of merger approval (or 180 days after approval of the standard); (2) to implement uniform interfaces within the former NYNEX and pre-merger Bell Atlantic regions, respectively, within 120 days of merger approval; and (3) to offer uniform interfaces region-wide within 15 months.

Before the merger, Bell Atlantic and NYNEX used different interfaces for pre-ordering, ordering and maintenance. Since the merger, Bell Atlantic has spent millions of dollars and expended thousands of person-hours to deploy common interfaces, first within each of the pre-merger regions and, today, throughout the company's 14-state region. As a result, as shown in Attachment B, carriers operating in any of the 14 Bell Atlantic jurisdictions today have common interfaces available to them to obtain access to each of the operations support systems functions, including pre-ordering, ordering (and provisioning), maintenance and repair, and billing.

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[5] In addition, Bell Atlantic provides a number of performance reports, including carrier-specific reports, under terms of interconnection agreements.

In addition, Bell Atlantic has worked closely with interconnecting carriers through the Change Management process to ensure that the entire implementation effort meets the needs of interconnecting carriers. This process, which was initially established under the New York State Public Service Commission collaborative process, has been extended region-wide. It provides a continuing forum to address evolving changes to the interfaces and associated formats (including new and changed industry standards and guidelines) and is designed to allow both Bell Atlantic and interconnecting carriers to propose changes, provide comments, and test new interfaces on a cooperative, not confrontational, basis. The Change Management process is described in detail in Attachment C.

Where there is an established industry standard for a particular function, Bell Atlantic has implemented interfaces using that standard and has done so within the time frames specified in the merger conditions. There are existing industry standards for both pre-ordering and ordering that are based on Electronic Data Interchange or "EDI." In the case of pre-ordering, Bell Atlantic has implemented an interface region-wide based on EDI, Version 9.[7] In the case of ordering, Bell Atlantic has implemented an interface based on EDI, Version 8. Both the pre-ordering and ordering interfaces are application-to-application interfaces that are fully integratable on the interconnecting carrier's side of the interface.

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[6] These various materials are available on the Website established for use by competing carriers at http://www.bell-atl.com/tis.

[7] Bell Atlantic deployed that interface less than 90 days after it was adopted – well in advance of the deadline specified in the merger conditions.

In addition, Bell Atlantic is now in the process of deploying EDI Version 9 for ordering. This is designed to work with the Local Service Ordering Guideline, Version 3 ("LSOG 3"), which materially differs from Version 2 of the same guideline. Through the Change Management process, Bell Atlantic has worked with the interconnecting carriers to allow sufficient time for comment on the technical specifications and for the systems development work needed to provide for a smooth transition to the new standard.

For both pre-ordering and ordering, Bell Atlantic also offers carriers a second option throughout the region – a Web-based Graphical User Interface, or "Web GUI." The Web GUI interface provides carriers that choose not to invest in EDI a lower-cost, electronic pre-ordering and ordering interface with Bell Atlantic.

In the case of maintenance and repair, an industry standard is still under development in industry fora, with a target for completion during the first half of 1999. Bell Atlantic is continuing to work within these industry fora to finalize that standard and is working in parallel to develop an interface that can be implemented quickly once the standard is finalized. In the meantime, the Web GUI interface discussed above allows carriers to perform this function region-wide. This interface was being used in the former NYNEX states at the time of the merger and has now also been deployed in the former Bell Atlantic jurisdictions. The Web GUI provides carriers access to all six key maintenance functions – testing, create trouble report, trouble report status, modify trouble report, cancel trouble report, and request trouble report history.

For billing, Network Data Mover had been deployed in both Bell Atlantic and NYNEX before the merger, and this transmission vehicle is still being used region-wide to deliver billing information to interconnecting carriers. Bell Atlantic also uses a common format for the billing data – BOS Version 30. In addition, Bell Atlantic provides billing information on the carrier's choice of paper or CD-ROM.

Accordingly, as shown on page 1 of Attachment B, Bell Atlantic has met the requirement to deploy uniform interfaces for pre-ordering, ordering, maintenance and repair, and billing throughout the region within 15 months of merger approval. This has eliminated separate interfaces in the two pre-merger regions, and, as shown on pages 2 and 3 of Attachment B, has streamlined and simplified the entire ordering process.

What's more, Bell Atlantic has gone well beyond the requirements of the merger conditions in an effort to simplify the process still further. While the merger order addresses only the development of common "interfaces" for use in connecting other carriers' systems to Bell Atlantic's support systems,[8] Bell Atlantic also is working with other carriers to standardize the format of the orders that are submitted over those interfaces. Both the information that has to be submitted over these interfaces and the format of that information necessarily varies, because of the differing "back end" support systems that are in place in different states, the differences in the products in those states, and other such factors. These differences exist for Bell Atlantic's own service representatives as well. Nevertheless, Bell Atlantic is working cooperatively with other carriers through the Change Management process to mask these differences as much as

[8] The term "interface" is defined in telecommunications literature as a "shared boundary between two similar or dissimilar systems, across which information or control may take place." American National Standard for Telecommunications – Operations, Administration, Maintenance and Provisioning (OAM&P) – Protocols for Interfaces between Operations Systems in Different Jurisdictions, 4.13.

possible. In fact, interconnecting carriers already benefit from far greater uniformity in terms of the information submitted than does Bell Atlantic, and as a result those carriers are receiving access superior to what Bell Atlantic provides to itself.

Moreover, Bell Atlantic will continue to work with interconnecting carriers through the Change Management process to achieve even greater consistency in terms of the information submitted over the interfaces. To the extent that the industry guidelines do not accommodate carriers' needs – for example, to order a new product not yet incorporated into the industry guidelines – this process will ensure that the carriers' needs are met in a timely manner.

In addition, Bell Atlantic has agreed as part of the Change Management process to support two versions of evolving industry standards – the one that Bell Atlantic has implemented most recently and the immediate prior version. This will allow interconnecting carriers adequate time to update their systems.

Bell Atlantic also committed to continue to make available any existing interfaces to the extent it had agreed to provide those interfaces in individual interconnection agreements. None of Bell Atlantic's interconnection agreements specify particular interfaces, however, and this condition is therefore inapplicable. Some carriers, however, have not yet deployed some or all of the industry standard and other uniform interfaces. For those carriers, Bell Atlantic has continued to support the pre-industry standard EIF and ECG interfaces (as shown on page 1 of Attachment B) and, through the Change Management process, is developing with the interconnecting carriers a transition plan to the industry standard or Web GUI interfaces.

Condition No. 3: Bell Atlantic shall conduct operational testing of the carrier-carrier interfaces used by carriers purchasing interconnection to obtain access to operations support systems.

Bell Atlantic has conducted carrier-carrier testing with every carrier that has requested such testing, and it will continue to do so. Bell Atlantic has offered to conduct those tests, at the other carrier's option, both before and after the parties have signed an interconnection agreement. In each instance, the testing schedule has been agreed-to between Bell Atlantic and the other carrier.[9]

This condition also required Bell Atlantic to submit evidence within six months after approval of the merger that its interfaces were capable of handling the then-anticipated demand. Bell Atlantic submitted a report containing that evidence on February 17, 1998, a copy of which appears in Attachment D. That report showed that Bell Atlantic's operations support systems were then capable of processing several times the average daily transaction volume expected in 1998.

In addition, the report showed that, at that time (approximately one year ago), Bell Atlantic had the capacity to provision volumes of both resale and unbundled network element orders significantly in excess of the number actually being received and the number expected during 1998. Bell Atlantic has subsequently expanded its capacity to meet expected demand in 1999 and beyond. The report further found that the billing

[9] The merger conditions specify that Bell Atlantic should be prepared to begin testing within 45 days after the request is submitted to Bell Atlantic, and Bell Atlantic is ready to meet that requirement. As a practical matter, however, the tests carriers request vary considerably in their complexity. As a result, in practice, a testing schedule is agreed to between Bell Atlantic and the requesting carrier based on many factors, including the readiness of the requesting carrier and the complexity of the system, services, and products the carrier wants to test.

systems were capable of accurately capturing a variety of call types generated by interconnecting carriers.

Finally, the report found that Bell Atlantic's repair and maintenance processes were similar for both wholesale and retail operations. No preference was given to trouble reports coming from Bell Atlantic's own retail customers compared to those from interconnecting carriers.

Actual experience throughout 1998 demonstrated that the report's conclusions were accurate, and that Bell Atlantic was able to handle the volume of transactions actually received last year and install the requested number of loops. For example, the report concluded that Bell Atlantic's systems were capable of handling at least 46,100 pre-order transactions per day in the former NYNEX states, which was several times the expected peak demand. The actual average business day demand during the highest volume month (October) in 1998 was about 8,900 transactions. Similarly, for the pre-merger Bell Atlantic states, the study showed that the systems could handle at least 10,100 daily orders, well above the expected volume. The actual peak daily order volume (in December) was just over 2500. Finally, the average daily loop conversion capacity determined in the study, which was expected to far exceed the actual demand, was in fact between 3 and 4 times the volumes actually experienced. As predicted, Bell Atlantic's systems and processes were able to handle all of these transactions. Moreover, during January 1999, Bell Atlantic received a significant increase in the number of loop conversion requests, and its systems have been able to process those requests routinely.

Condition No. 4: Bell Atlantic shall offer carriers certain optional payment plans for the non-recurring charges for interconnection and (for carriers with less than $2 billion in annual telecommunications revenues) collocation.

Bell Atlantic offered options for the payment of non-recurring charges (a) for resold services and unbundled network elements through the payment of recurring charges set at a level to recover the non-recurring costs, and (b) for collocation and the establishment of office dialing plans through installment payments over 18 months. These options were filed in each state in the region within 90 days of merger approval, either by filing sample interconnection agreement provisions that Bell Atlantic is willing to include in amendments to all such agreements or by submitting supplements or amendments to Bell Atlantic's Statement of Generally Available Terms ("SGATs").[10] Sample state installment payment arrangement submissions appear in Attachment E.

In addition, as required, Bell Atlantic has proposed mechanisms for payment of the non-recurring charges for collocation that are consistent with the Commission's standards established in *Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, 12 FCC Rcd 18730, && 32-33, 45-51, and 54-56 (1997). These mechanisms have been submitted to each state commission and proposed as part of interconnection negotiations and in arbitrations.

In practice, this condition has turned out to be less significant than anticipated – only one carrier has chosen to provide in its interconnection agreement for resold services and none has asked to pay up-front collocation charges in installments.

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[10] The manner of filing depended upon the regulatory status of SGATs in the state and the requirements of local regulators.

Condition No. 5: Bell Atlantic shall provide shared transport as an unbundled network element at usage-sensitive rates based on forward-looking costs.

Bell Atlantic has offered this option, as required, to all carriers. Shared transport is available in all 14 state jurisdictions, under interconnection agreements, SGATS, and/or tariffs. In all instances, shared transport is available at usage-sensitive rates which are based on forward-looking costs. To date, carriers have obtained over 22,000 lines that use this option. An illustrative shared transport provision, taken from the New York State tariff, appears in Attachment F.

Condition No. 6: Rates that Bell Atlantic proposes for interconnection and unbundled network elements shall be based on forward-looking economic costs.[11]

The prices which Bell Atlantic proposed for interconnection and unbundled network elements in all jurisdictions, both before and after the merger, uniformly have been based on forward-looking economic costs.

In fact, both before and after the merger, Bell Atlantic based proposed prices on the costs of a forward-looking network that differs from, and is less costly than, the network in place today. For example, in calculating the proposed rates for interconnection and unbundled network elements, Bell Atlantic generally assumed that the locations of its central offices would remain the same but that the switches themselves were all digital, even though some existing switches are analog. Bell Atlantic also

[11] Bell Atlantic's compliance with this condition is subject to pending formal complaints before the Commission which have been fully briefed. Bell Atlantic will not here address those specific complaints or repeat all of the arguments made in the extensive record of those proceedings. *See AT&T Corp. v. Bell Atlantic Corp.*, File No. E-98-05; *MCI Telecommunications Corp. and MCImetro Access Transmission Services, Inc. v. Bell Atlantic Corp.*, File No. E-98-12.

assumed that all interoffice cable is fiber, even though some embedded plant is metallic. Loop costs reflect forward-looking fiber deployment, and it was assumed that all loops that include fiber use digital loop carrier equipment, even though that is not always the case today. Network utilization rates used in deriving rates assumed substantial improvements over the actual network utilization today.

The interconnection prices Bell Atlantic has proposed satisfy any conceivable notion of forward-looking costs. They were based upon projections of <u>future</u> incremental costs from a starting point of what things cost today and adjusted to reflect future costs using the most efficient technology available. As the Commission has confirmed, the notion of forward-looking costs does not require slavish adherence to any particular formula, but only that prices “recover the forward-looking costs over the long run directly attributable to the specified element, as well as a reasonable allocation of forward-looking common costs.” *Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in Michigan*, 12 FCC Rcd 20543, && 290-91 (1997). Without question, the prices proposed by Bell Atlantic meet this standard.

Of course, while the prices Bell Atlantic proposed both before and after the merger met this standard, the merger condition applies prospectively only – to prices proposed after the merger – and for good reason. Before the merger, the interconnection prices Bell Atlantic and NYNEX had each proposed in each state were based on forward-looking costs. Likewise, the prices that each state adopted – whether in generic proceedings or arbitrations – were based on forward-looking economic costs. *See*

Attachment G.[12] Therefore, the Commission's concern was not the past practices of the companies before the merger, but that the new merged company might deviate from these practices and propose prices that are not based on forward-looking costs. The pricing condition was included to guarantee that this would not happen.

Condition No. 7: Bell Atlantic shall engage in good faith negotiations with carriers purchasing interconnection in response to reasonable requests to establish performance standards.[13]

Bell Atlantic has continued to enter into good-faith negotiations with every carrier that has requested negotiation of performance standards and has signed agreements that include performance standards and enforcement mechanisms with a number of carriers since the merger. Most of these agreements have been reached without the need for arbitration, while in other instances agreements have been reached after open issues were resolved through arbitration under the Act.

In an effort to facilitate these discussions, Bell Atlantic has developed a template that covers all of the items in this condition that can form the basis of negotiations, although Bell Atlantic is always willing to negotiate over specific terms at

[12] In fact, AT&T has admitted that interconnection rates in Bell Atlantic states are in fact based on forward-looking economic costs. This admission appeared on an "Arbitration Scorecard" contained in a "Local Competition Handbook" on AT&T's Website (at www.att.com/publicpolicy/handbook). AT&T removed the Handbook when Bell Atlantic cited it in a Commission proceeding. However, Bell Atlantic has placed the text in the record. *See* Letter dated March 30, 1998 from Lydia R. Pulley, Bell Atlantic, to Ms. Diane Griffin Harmon, FCC, File No. E-98-05.

[13] Bell Atlantic's compliance with this condition is subject to a pending formal complaint before the Commission that has been fully briefed. Bell Atlantic will not here address the specifics of that complaint or repeat all of the arguments made in the extensive record of that proceeding. *See MCI Telecommunications Corp. et al. v. Bell Atlantic-Delaware, et al.*, File No. E-98-32.

the request of a carrier and to explore additional relevant issues. This template has evolved since it was first created to reflect terms Bell Atlantic has agreed to in the negotiations it has undertaken with other carriers. The present version of the template appears in Attachment H.[14]

There are, in addition, a number of ongoing generic state proceedings that are addressing performance standards and remedies. For example, New York, New Jersey, and Pennsylvania are in various stages of comprehensive examinations of interconnection issues, including performance standards, and other states are conducting narrower proceedings addressing performance standards. Many carriers are participating actively in these state proceedings, which are expected to result in global performance standards for use within the state. Because these state-prescribed standards may supersede individual performance standards and enforcement mechanisms, many carriers appear to have chosen to focus their attention on these proceedings and to pursue negotiating individual agreements once they know what the states will decide. In all these instances, however, Bell Atlantic remains ready to enter into such negotiations upon request.

<u>Condition No. 8</u>: The merger conditions sunset 48 months after Commission approval of the merger.

This condition is self-executing and does not require any action on Bell Atlantic's part.

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[14] The template used in the former Bell Atlantic and NYNEX states differ only in non-substantive provisions. Specifically, some measurements in the NYNEX template are broken out by line size, while there is no such breakout in the Bell Atlantic template. The attached template is for the pre-merger Bell Atlantic states.

Condition No. 9: Bell Atlantic shall negotiate supplements or amendments to existing interconnection agreements as needed to incorporate these conditions.

Bell Atlantic has negotiated amendments to existing interconnection agreements as needed to reflect the prospective terms of the conditions. For example, the performance standards agreements that Bell Atlantic has negotiated with carriers (see Condition No. 7 above) have been incorporated into interconnection agreements with those carriers. In one case, an interconnection agreement provision has been adopted that specifies alternative payment arrangements for non-recurring charges (see Condition No. 4 above). In other instances, such as the performance monitoring reports provided to each carrier (see Condition No. 1 above), Bell Atlantic has fully complied with the substantive conditions without any need to amend the interconnection agreements. Bell Atlantic will, of course, continue to negotiate amendments to the interconnection agreements as needed.

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As shown above, Bell Atlantic has fully met each of the merger commitments that it made, as incorporated into the Commission's order approving the merger. In some instances, Bell Atlantic has gone beyond the requirements imposed in those conditions in an effort to make it easier for interconnecting carriers to obtain services from Bell Atlantic to use in providing services to their own end users. Bell Atlantic will continue to work with other carriers, both individually and through the Change Management process, to ensure that carriers obtain the services they need in a convenient and timely manner.

February 1, 1999